

**OECD Rural Investment Priorities Conference  
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Under Secretary for Rural Development  
“Priorities for Rural Investment”**

**Good morning. It is a real pleasure to be with you today. I appreciate the opportunity to be part of this conference and discussion.**

**This is certainly an era of rapid and sometimes disorienting change. Globalization and technological advances are transforming our economy and society. For rural America, this involves both challenges and remarkable new opportunities.**

**It is a distinct pleasure and opportunity to discuss these with you today.**

**I must begin with a couple of caveats. I am an optimist. I truly believe that the future of rural America is bright. However, any discussion of opportunities and investment priorities -- from the very outset -- must acknowledge diversity. Rural America is vast. It covers 75% of the land mass of the United States, over 2.6 million square miles. This is an area larger than Europe west of Russia.**

**Rural America ranges from Native villages in Alaska to the Florida Everglades ... from the Yankee hamlets of New England to the Central Valley of California ... from the corn fields of the Midwest to Hawaii to the islands of the Western Pacific to the high deserts of the southwest.**

**Rural America is home to 50 million people if one counts by counties or 60 million people if one counts by census tracts. It includes areas of profound isolation ... areas of deep and persistent poverty ... as well as some of America's most prosperous and fastest growing jurisdictions.**

**The challenges of diversity, I am sure, are familiar to everyone in this room ... but in America those challenges are written on a continental scale. Strategies for rural development must therefore begin with the recognition that one size does not fit all.**

**A second essential observation is that rural America has undergone a fundamental structural transformation. As recently as 1950, 40% of rural Americans lived on farms and one-third of the rural workforce worked in production agriculture. One could still say "rural" and mean "farm."**

**Today, however, fewer than 10% of rural people in the United States live on farms. Only 6.5% of the rural workforce is directly involved in agriculture. Of approximately 2 million farms in the United States, about 200,000 produce three quarters of the total agricultural output. As the American Farm Bureau itself acknowledged in a recent report, farmers today are far more dependent on rural communities than rural communities are dependent on farmers.**

**Agriculture remains a critically important industry but it is no longer the driver of the rural economy. In fact, even among farm households, virtually all earn at least some non-farm income. The large majority earn the bulk of their income from non-farm employment.**

**Further -- since farmers constitute a small minority of the rural population -- most rural employment, over 95% of total rural income, and virtually all employment growth is non-farm.**

**In the U.S., farm and rural policy frankly has been slow to adjust to these changing economic and demographic realities. I believe that is changing, but this continues to be a challenge for policymakers -- and**

**especially for the Congress as it considers the next Farm Bill, which will be written next year.**

**If one examines farm legislation from three or four decades ago, for example, a typical Farm Bill might have had Title I: Dairy; Title II: Wool; Title III: Feed Grains, and so on.**

**The current Farm Bill, however, places all commodity programs in a single title, and then proceeds through titles on Conservation, Nutrition Programs, Trade, Research, Rural Development, and Energy. Although the process has been slow, the shift in perspectives is clear. Markets do drive policy – albeit sometimes slowly.**

**I cannot predict what the Congress will do in the 2007 Farm Bill, but there would seem to be every likelihood that these new priorities – and the commitment to diversified, market based development that they imply – will continue to define our mission in the years ahead.**

**With these considerations in mind, let me turn to a brief discussion of our current investment priorities.**

**USDA Rural Development is essentially an investment bank for rural America. We administer over 40 programs and have a cumulative loan portfolio in excess of \$94 billion invested in rural infrastructure, housing, community facilities, businesses and entrepreneurial development.**

**From 2000 through 2006 we've roughly doubled our investment level from about \$9.9 billion to \$19 billion. We've done this while decentralizing and empowering local management. We've also moved into new areas like broadband and renewable energy.**

**We are -- as we never tire of saying -- the one agency in the federal government that can build an entire community from the ground up.**

- We have this year launched an important initiative to revitalize our portfolio of rural rental housing. It needs to be restructured to preserve our housing stock for the next generation and to protect tenants from displacement or unacceptable rental increases.**
- We are engaged in targeted efforts in persistently low-income areas such as the Mississippi Delta, the Appalachian highlands, the *colonias* of the southwest, Native villages, and Indian reservations.**

- **Rural electric cooperatives generate 10% of America's electricity and deliver it over 75% of the nation's land mass. They rely on low-interest rate financing from Rural Development.**

**We are continuously working with them to upgrade the grid and meet the growing power demands projected over the next decades.**

- **Since 2001 we have invested over \$892 million in health care facilities serving more than 7.2 million rural residents.**
- **We've provided Distance Learning and Telemedicine loans and grants to over 5,000 rural hospitals, clinics, and schools to provide access to modern telecommunications technology in remote areas.**
- **We've provided over \$8.7 billion for modernized water and wastewater systems benefiting over 6.8 million consumers.**

**All of these things are important. But there are two additional factors that stand out beyond the rest as transformative. These are rural broadband and renewable energy.**

**Broadband represents the greatest decentralization of information since the invention of the printing press. This is true whether one lives in New York City or on a mountaintop in Utah. From the standpoint of rural development, this is revolutionary because it levels the playing field:**

- **It allows rural communities historically unprecedented access to information and the ability to provide services that, until now, were thought to be “urban.”**
- **In a knowledge based economy, decentralizing information tends to snowball.**
- **Large organizations no longer need everyone in the same room so that people can meet face to face or move paper from desk to desk.**
- **Factories, warehouses, offices, and transportation networks can be optimized for economic efficiency. Very often that turns out to mean that they will be dispersed and networked.**

- **As centralized structures give way to distributed networks, businesses become mobile. People become mobile. Jobs become mobile.**
- **As freedom of choice expands, rural areas will benefit. I frequently say that I've never seen a real estate ad boasting of a two hour commute, sky high housing prices, noise, crime, congestion and all the other urban indignities people put up with for the sake of a job.**
- **Ultimately these results are tangible -- and already they are everywhere in rural communities: the telecommuters ... the home-based businesses ... the web-based businesses ... new businesses of all types, satellite offices and relocations that are made possible by modern communications.**

**Universal access to affordable broadband is therefore a high priority.**

**We haven't achieved it yet, but we will. Since 2001, USDA Rural Development has invested \$4.9 billion to provide more than 1.5 million rural homes and businesses with access. We won't stop until we're done.**



**Finally, there is renewable energy. This is a truly international story.**

**Germany is the traditional world leader in biodiesel. Brazil is the traditional leader in ethanol. Several European countries set the pace in wind energy.**

**The United States is growing rapidly in all these areas. Last week I was in St. Louis, where President Bush joined us at a major national conference bringing together leaders from across the full range of renewable energy technologies. The progress is rapid. The commitment from the President on down is strong. This is a very high priority.**

**USDA Rural Development is involved because renewable energy is, for the most part, rural energy. Biofuels rely on agricultural feedstocks. Because of its siting requirements, wind power will be mostly rural. Solar is more flexible, but large solar arrays may also be primarily rural.**

**The scale of the opportunity is enormous. This year America's bill for oil imports will exceed the entire value of every ear of corn, pound of beef and gallon of milk ... every egg, tomato, and peanut ... every bale of cotton and bushel of wheat grown in the United States.**

**When the stakes are this big, the dollars add up fast. The United States is currently importing about 5 billion barrels of oil or oil products a year. Over the next ten years or so, if we can displace ONE billion barrels – just one barrel out of five -- with biofuels, that’s a new market for American farmers exceeding today’s net farm income.**

**Renewable energy means higher prices for producers. It means land rents for wind and solar facilities. It means jobs in construction, operations and maintenance. It means new families in town, a future for young people, more kids in the local schools, and tax revenue for local governments. The effects ripple through the entire community.**

**Some have suggested that renewable energy will be the greatest opportunity for wealth creation in history. They may be right. By any estimate, the opportunity is very large.**

**We are committed to supporting rural America in realizing this potential. Too often, this goal has been misconceived as a question of subsidies. I submit it is not. America’s farmers have a net equity of over \$1.4 trillion tied up primarily in the land – and farmers represent less than 10% of the rural population.**

**The truth is, rural America today is awash in opportunity and investment capital. What we need to do is nurture an entrepreneurial culture. We need to develop business and investment models that encourage local ownership and control. We talk a lot about nurturing entrepreneurs.**

**And we need to face the challenges of a highly competitive, increasingly interconnected global economy ... not with fear ... but with confidence and faith. The opportunities are real. The future is in our own hands – and I am convinced that the future of rural America is bright indeed.**

**Thank you.**